

MEMORANDUM OF UNDERSTANDING  
IN CONNECTION WITH UNITEDHEALTH CHARITABLE COMMITMENT

This Memorandum of Understanding In Connection with UnitedHealth Charitable Commitment ("MOU"), dated as of May 18, 2007, is entered into by and among PacifiCare of California ("PCC"), PacifiCare Life and Health Insurance Company ("PLHIC"), UnitedHealth Group Incorporated ("UnitedHealth"), PacifiCare Health Systems, LLC, formerly known as Point Acquisition, LLC ("Acquisition LLC"), the Department of Managed Health Care ("DMHC") and the California Department of Insurance ("CDI"), with reference to the following facts:

WHEREAS, PCC, UnitedHealth, Acquisition LLC and PacifiCare Health Systems, Inc. ("PHS") executed Undertakings Provided as Part of PacifiCare of California Notice of Material Modification Regarding Proposed Change in Control of Ultimate Parent Company, dated December 19, 2005 (the "DMHC Undertakings");

WHEREAS, PLHIC and UnitedHealth executed Undertakings to California Department of Insurance, dated December 19, 2005, in connection with the UnitedHealth Group Incorporated Form A Statement Regarding the Acquisition of Control of a Commercially Domiciled Insurer (the "CDI Undertakings");

WHEREAS, PHS has been merged into Acquisition LLC and Acquisition LLC has been renamed PacifiCare Health Systems, LLC ("PHS LLC");

WHEREAS, Undertaking 20(b)(4) of the DMHC Undertakings and Undertaking 15(b)(4) of the CDI Undertakings each provides that within 90 days following the closing of the acquisition of PHS, the ultimate parent company of both PCC and PLHIC, by UnitedHealth (the "Merger"), representatives of UnitedHealth, the DMHC and the CDI will make good-faith efforts to sign a Memorandum of Understanding, specifying in detail additional uses to be made of the Charitable Commitment, as defined in Undertaking 20(b) of the DMHC Undertakings and Undertaking 15(b) of the CDI Undertakings, the amount and timing of the expenditures and the provision for oversight, auditing and reporting;

WHEREAS, PCC, PLHIC, PHS LLC, UnitedHealth, DMHC, and CDI have executed Letters of Agreement extending the deadline for completing the Memorandum of Understanding required by Undertaking 20(b)(4) of the DMHC Undertakings and Undertaking 15(b)(4) of the CDI Undertakings in order to further develop the specific details necessary to complete a meaningful Memorandum of Understanding, recognizing that good-faith efforts have been made by all participants to complete the Memorandum of Understanding;

WHEREAS, UnitedHealth has agreed to make a \$10 million dollar contribution over a period of three years to the University of California, Riverside and Merced campuses (\$5 million per campus) as part of the Charitable Commitment;

WHEREAS, PCC, PLHIC, PHS LLC, UnitedHealth, DMHC and CDI each executed Memoranda of Understanding dated July, 2006 and September, 2006 for the purpose of agreeing on

additional uses of certain funds available from the Charitable Commitment, specifically, engagement of a health information technology ("HIT") consultant for a HIT study in California and payment for costs associated with conducting a policy forum regarding HIT adoption and policy in California;

WHEREAS, UnitedHealth has agreed to contribute funds in connection with a Federal Communications Commission ("FCC") Rural Health Care Pilot Program designed to encourage health care providers to aggregate their needs and develop a strategy for creating statewide and/or regional networks that will connect rural and other health care providers through a dedicated, broadband network;

WHEREAS, UnitedHealth, PHS LLC, PCC and PLHIC have agreed to (i) develop and implement a plan to distribute, in addition to those amounts referenced above, \$25 million of the Charitable Commitment funds over a 36-month period beginning August, 2007, and (ii) maintain an additional \$8.15 million, plus the interest that accrues on the Charitable Commitment funds pursuant to Undertaking 20(b)(5) of the DMHC Undertakings and Undertaking 15(b)(5) of the CDI Undertakings, in reserve for the purpose of supporting the Investment Commitment described in Undertaking 20(a) of the DMHC Undertakings and Undertaking 15(a) of the CDI Undertakings;

WHEREAS, the parties now desire to enter into this MOU to meet the requirements of DMHC Undertaking 20(b)(4) and CDI Undertaking 15(b)(4) and to clarify other issues in connection with the Charitable Commitment and the Investment Commitment, as defined in the CDI Undertakings and the DMHC Undertakings; and

WHEREAS, this MOU is intended to elaborate upon the DMHC Undertakings and the CDI Undertakings and shall not be deemed an amendment to either the DMHC Undertakings or the CDI Undertakings.

NOW THEREFORE, the parties agree to the following:

1. Uses of Charitable Commitment; Amount and Timing of Expenditures. UnitedHealth agrees to allocate the \$50 million Charitable Commitment, as defined in Undertaking 20(b) of the DMHC Undertakings and Undertaking 15(b) of the CDI Undertakings, in full satisfaction of the Charitable Commitment, as follows:
  - (a) As provided in the DMHC Undertakings and the CDI Undertakings, UnitedHealth will receive credit towards the Charitable Commitment for \$1.5 million contributed to fund the Coordinated Care Initiatives, as defined in and required by Undertaking 18(c) of the DMHC Undertakings. The funds for the Coordinated Care Initiatives will be distributed over a four-year period, beginning January 1, 2006. Approximately \$20,000.00 of this amount has been distributed as of the effective date of this MOU.
  - (b) \$10 million will be contributed to the University of California, Riverside and Merced campuses (\$5 million per campus) for the purpose of funding medical education programs in underserved areas. The University of California funds will be distributed as described in the confirmation letter, dated July 27, 2006, from UnitedHealth to University of California President Robert C. Dynes, Ph.D.
  - (c) \$350,000 has already been contributed to fund HIT projects, as described in the Memorandum of Understanding, dated July, 2006 and the Memorandum of

Understanding, dated September, 2006, both among and between UnitedHealth, PCC, PLHIC, PHS LLC, DMHC and CDI.

- (d) Up to \$5 million will be committed to support grants to rural clinics or hospitals participating in the FCC Rural Health Care Pilot Program. The UnitedHealth funds allocated for support of the FCC Rural Health Care Pilot Program will be restricted to the following areas, unless otherwise mutually agreed upon by the parties to this MOU: (i) telemedical equipment and training; (ii) technical support associated with upgrading telecommunications equipment; and (iii) training. The FCC Rural Health Care Pilot Program funds will be distributed over a three-year period, as determined by the State of California's application to the FCC Rural Health Care Pilot Program. If the State of California's application to the FCC is not accepted or to the extent that funds within this commitment amount remain undistributed or uncommitted at the end of the three year period, the remaining funds described in this Section 1(d) will be included with the commitment amounts described in Section 1(e) of this MOU. If necessary, such remaining funds will be distributed pursuant to an additional request for proposal ("RFP") cycle, following the same process described in Section 1(e), unless otherwise mutually agreed by the parties hereto.
- (e) \$25 million will be contributed, in four distribution cycles, to support programs that are consistent with some or all of the following categories identified in Undertaking 20(b) of the DMHC Undertakings and Undertaking 15(b) of the CDI Undertakings (the "General Contribution"): (i) technology improvements for safety net providers; (ii) medical education programs in traditionally underserved communities in California; (iii) population-based preventive health strategies; (iv) further support for coordinated care initiatives; and (v) cash or in-kind contributions to help establish and support health care information technology initiatives designed to improve health care delivery. UnitedHealth will determine recipients and amounts to be distributed pursuant to this Section 1(e) through a RFP process. An RFP and a summary of the evaluation and selection process for the initial distribution cycle will be prepared by UnitedHealth and submitted to DMHC and CDI for approval on or before June 30, 2007. Subsequent RFPs for the second, third and fourth distribution cycles will be submitted to DMHC and CDI for review on or before November 30, 2007, June 30, 2008 and November 30, 2008, respectively. In the absence of an objection from DMHC or CDI within 20-business days of receipt from UnitedHealth, the RFPs will be deemed approved and UnitedHealth will distribute the RFPs within 30 calendar days thereafter. UnitedHealth will evaluate proposals in response to RFPs based upon several factors including (1) consistency with the stated goals of the DMHC Undertakings and CDI Undertakings; (2) number of individuals impacted; (3) geographic area served; (4) sustainability of the likely impact of the grant; and (5) financial and operational strength of the organization. The documented scoring methodology, selected recipients and Charitable Contribution amounts will be presented to DMHC and CDI for review. In the absence of a good-faith objection from DMHC or CDI within 20-business days of receipt from UnitedHealth, the proposals will be deemed approved. DMHC and CDI shall give reasonable deference to UnitedHealth's selections. The General Contribution funds will be distributed over no more than 36 months from the date on which the initial RFP is made publicly available, with the intent to make the initial distribution on or before September 30, 2007; the second distribution on or before February 29, 2008; the third distribution on or before September 30, 2008; and the fourth distribution on or before February 28, 2009. Any remaining funds that have not been distributed or committed by the end of the 36-month

period identified in this Section 1(e) will be distributed pursuant to an additional RFP cycle, following the same process as described in this Section 1(e), unless otherwise mutually agreed by the parties hereto.

- (f) \$8.15 million, plus the interest accrued on the Charitable Commitment funds pursuant to Undertaking 20(b)(5) of the DMHC Undertakings and Undertaking 15(b)(5) of the CDI Undertakings, will be maintained for the purpose of supporting the Investment Commitment described in Undertaking 20(a) of the DMHC Undertakings and Undertaking 15(a) of the CDI Undertakings. The amounts allocated for Charitable Commitment support of the Investment Commitment will be specifically committed or distributed within the five-year time period specified in Undertaking 20(a)(7) of the DMHC Undertakings and Undertaking 15(a)(7) of the CDI Undertakings for completing the funding for the Investment Commitment. Charitable Contribution funds distributed pursuant to this Section 1(f) shall be distributed consistent with the purposes set forth in the first paragraph of Undertaking 20(a) of the DMHC Undertakings and Undertaking 15(a) of the CDI Undertakings. The objective of "supporting the Investment Commitment," as referenced in the first sentence of this Section 1(f), is to enhance flexibility and creativity to achieve the dual goals of benefiting California health care consumers while enabling investments which are prudent and increase access to underserved communities. If any Charitable Commitment funds remain uncommitted after the end of the five year period, such funds will be distributed pursuant to an additional RFP cycle, following the same process described in Section 1(e), unless otherwise mutually agreed by the parties hereto.
  - (g) Interest will accrue on portions of the Charitable Commitment not yet distributed by UnitedHealth as required by Undertaking 20(b)(6) of the DMHC Undertakings and Undertaking 15(b)(6) of the CDI Undertakings.
  - (h) Any Charitable Commitments made by non-profit foundations associated with either UnitedHealth or its affiliates, as described in Undertaking 20(b)(6) of the DMHC Undertakings and Undertaking 15(b)(6) of the CDI Undertakings, shall be subject to the limitations and approval processes set forth in the Undertakings and in this MOU if such funds are to be counted against the Charitable Commitment obligations set forth in the DMHC Undertakings and the CDI Undertakings.
2. Provisions for Oversight, Auditing and Reporting. UnitedHealth, PHS LLC, PCC and PLHIC will maintain records related to the selection of recipients for the Charitable Contributions and the distribution of Charitable Contribution funds. Such records shall be maintained for a period of five years following the distribution of all Charitable Contribution funds. UnitedHealth, PCC and PLHIC will make available such records for review and auditing by DMHC and CDI. In addition, UnitedHealth, PCC and PLHIC will provide quarterly reports to DMHC and CDI within 45 calendar days following the end of each calendar quarter, beginning with third quarter of 2007 and continuing until the last quarter in which Charitable Commitment funds are finally distributed (including those reserved for support of the Investment Commitment). Such reports will provide DMHC and CDI with information concerning (a) the amount of Charitable Contribution funds distributed to date; (b) the amount of the Charitable Contribution funds remaining; (c) the amount of accrued interest on unexpended portions of the Charitable Contribution; (d) identification of the recipients of Charitable Contribution funds distributed to date; (e) the purposes for which the Charitable Contributions have been designated; and (f) the

status of outstanding RFPs. Recipients of Charitable Contributions will be required to provide reports to UnitedHealth demonstrating that Charitable Contribution funds have been utilized in accordance with the material terms of recipient's proposal (including timing).

3. Investment Commitment. The parties agree that UnitedHealth, PCC, and PLHIC will proceed to fund the Investment Commitment as described in Undertaking 20(a) of the DMHC Undertakings and Undertaking 15(a) of the CDI Undertakings and according to concepts previously presented by UnitedHealth to the DMHC and CDI. These concepts identify the following principles:
  - (a) The Investment Commitment funds shall be targeted at the purposes identified in Section 20(a) of the DMHC Undertakings and Section 15(a) of the CDI Undertakings within an overall program designed to support some or all of (i) health care delivery facilities, clinical practitioner staffing and development, health care information technology infrastructure, and health care coverage and access programs in rural communities in California; and (ii) health care delivery facilities, clinical practitioner staffing and development, health care information technology infrastructure, and health care coverage and access programs in urban/suburban underserved areas, emphasizing those areas experiencing particular challenges related to ethnicity and the receipt of culturally competent care. In addition, consistent with Undertaking 20(a)(6) of the DMHC Undertakings and Undertaking 15(a)(6) of the CDI Undertakings, future charitable initiatives developed by UnitedHealth or its affiliates and the full amounts committed by UnitedHealth and PCC pursuant to Undertakings 18(b), 18(d) and 19 of the DMHC Undertakings shall be considered as an offset or substitute for a portion of the Investment Commitment, provided that the offset for Undertaking 18(d) of the DMHC Undertakings shall not exceed \$5M.
  - (b) The Investment Commitment funds shall be targeted to selected geographic regions of the state, subject to oversight by the Investment Advisory Committee (as described in the DMHC Undertakings and the CDI Undertakings).
  - (c) The Investment Advisory Committee will provide oversight for the Investment Commitment and the placement of grant funds from the amount reserved for this purpose, as described in Section 1(f) of this MOU.
  - (d) UnitedHealth, PCC, and PLHIC will retain the services of an investment consultant to "place" loans according to requirements of the DMHC Undertakings and the CDI Undertakings and within the parameters of the overall program described in Section 3(a) of this MOU.
4. Coordination with Other Initiatives. The agreements set forth in this MOU are not intended to preclude UnitedHealth's participation in appropriate opportunities to coordinate Charitable Commitment grants and/or Investment Commitment opportunities with other state or privately sponsored funding efforts, to the extent they are targeted at purposes consistent with those outlined in this MOU and in the DMHC Undertakings and the CDI Undertakings, and allow for appropriate conformance with the requirements of the Undertakings. Any such participation shall reduce UnitedHealth's Charitable

Commitment, to the extent approved by DMHC and CDI, and Investment Commitment obligations under the DMHC Undertakings and the CDI Undertakings and shall not interfere with the other commitments set forth in this MOU.


5. Miscellaneous.

- (a) Defined Terms. Terms utilized in this MOU shall have the meaning set forth in the DMHC Undertakings and the CDI Undertakings, as applicable, unless specifically defined in this MOU.
- (b) Governing Law. This MOU shall for all purposes be governed by and construed in accordance with the laws of the State of California.
- (c) No Third Party Beneficiaries. Nothing in this MOU is intended to provide any person other than the parties hereto and their respective successors and permitted assigns with any legal or equitable right or remedy with respect to any provision set forth herein.
- (d) Amendment. This MOU may be amended only by written agreement signed by all of the parties hereto.
- (e) Assignment. This MOU may not be assigned by UnitedHealth, PLHIC, PCC or PHS, LLC in whole or part, without the prior written consent of DMHC and CDI .
- (f) Notice. Notices provided pursuant to this MOU shall be provided in writing or electronically. All written or electronic notices shall be deemed to have been given when delivered in person, by electronic communication, by facsimile or, if delivered by first-class United States mail, on the date mailed, proper postage prepaid and properly addressed to the appropriate party at the address set forth on the signature portion of this MOU or to another more recent address of which the sending party has received written notice. Each party shall provide the other with proper addresses, facsimile numbers and electronic mail addresses of all designees that should receive certain notices or communication instead of that party.
- (g) Confidentiality of Reports. DMHC and CDI agree and acknowledge that all RFPs, reports and any other information provided to DMHC and CDI pursuant to this MOU will be given confidential treatment by DMHC and CDI to the fullest extent permitted by California law, including but limited to the California Public Records Act and Sections 735.5 and 12919 of the California Insurance Code, and that DMHC and CDI will provide PLHIC, PCC and UnitedHealth with appropriate prior notice of any judicial or other effort to compel DMHC and CDI to disclose confidential reports or any nonpublic information contained therein.
- (h) Effect of MOU. This MOU is intended to elaborate upon the DMHC Undertakings and the CDI Undertakings and shall not be deemed an amendment to either the DMHC Undertakings or the CDI Undertakings. Any contradiction between this MOU and the DMHC Undertakings and/or the CDI Undertakings shall be resolved in favor of the appropriate undertakings. Except as provided in this Section 5(h), this MOU represents the entire agreement of the parties hereto with respect to the subject


matter addressed herein and supersedes all prior agreements, both written and oral, among the parties hereto. Notwithstanding anything to the contrary in this Section 5(h) or elsewhere in this MOU, UnitedHealth shall not be required to expend any funds towards the Charitable Commitment in addition to those described in Section 1 of this MOU, provided UnitedHealth has followed the procedures for approval for Charitable Commitment expenditures described in Section 1 of this MOU.

- (i) Venue. The proper venue for any dispute arising under this MOU shall be Los Angeles, California.
- (j) Invalidity. In the events that any provision of this MOU is declared invalid or unenforceable for any reason by a court of competent jurisdiction, such provision, to the extent declared invalid or unenforceable, shall not affect the validity or enforceability of any other provision of this MOU, and such other provisions shall remain in full force and effect, and shall be enforceable to the maximum extent permitted by applicable law.

May \_\_, 2007

  
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Print Title: ASST. TREAS.  
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May \_\_, 2007

  
Print Name: Forrest G. Burke  
Print Title: Acting General Counsel  
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Attn: Chief Legal Officer

with a copy to


UnitedHealthcare  
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Attn: General Counsel

May \_\_, 2007


  
Print Name: SUSAN L. BERKEL  
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May \_\_, 2007

  
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May 29, 2007

  
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May \_\_, 2007

  
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